

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Bear Lake	County Kalkaska
Fiscal Year End March 31, 2008	Opinion Date July 29, 2008	Date Audit Report Submitted to State July 30, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

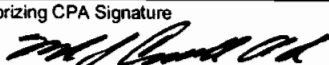
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040		
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI	Zip 48707
Authorizing CPA Signature 		Printed Name Mark J. Campbell		License Number 1101007803

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 29, 2008

To the Township Board
Township of Bear Lake
Kalkaska County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Bear Lake, Kalkaska County, Michigan as of and for the year ended March 31, 2008 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Bear Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Bear Lake, Kalkaska County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

This section of the Township of Bear Lake's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$1,503,977.72 for governmental activities. Of this total, \$816,452.08 represents capital assets net of depreciation and related debt. Overall, net assets decreased \$197.89 from the prior year.

Overall revenues were \$322,655.07. Overall expenses were \$332,274.57.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These would include the General Fund, Fire Fund, Rescue Fund, and Gypsy Moth Fund.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan
CONDENSED FINANCIAL INFORMATION
For the Year Ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	688 890
Capital Assets	<u>963 145</u>
Total Assets	<u>1 652 035</u>
Current Liabilities	1 365
Non-current Liabilities	<u>146 693</u>
Total Liabilities	<u>148 058</u>
Net Assets:	
Invested in Capital Assets	816 452
Unrestricted	<u>687 526</u>
Total Net Assets	<u><u>1 503 978</u></u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	34 836
General Revenues:	
Property Taxes	184 863
Other Taxes	19 224
State Revenue Sharing	53 407
Interest	21 646
Miscellaneous	<u>8 679</u>
Total Revenues	<u>322 655</u>
Program Expenses:	
Legislative	29 748
General Government	135 825
Public Safety	145 445
Public Works	4 021
Interest on Long-Term Debt	<u>7 814</u>
Total Expenses	<u>322 853</u>
Increase (Decrease) in Net Assets	(198)
Net Assets, April 1	<u>1 504 176</u>
Net Assets, March 31	<u><u>1 503 978</u></u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include: General Fund, Fire Fund, Rescue Fund, and Gypsy Moth Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets decreased \$197.89 during the year ended March 31, 2008, totaling \$1,503,977.72.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include legislative, administrative, elections, public safety, public works, and building and grounds. The major source of revenue for the General Fund is from the property tax base and the revenue sharing from the State of Michigan.

Fire, Gypsy Moth, and Rescue Funds: These funds are used to record revenues and expenses for the fire protection, gypsy moth control, and rescue vehicle operation.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Additions to the Township's governmental fund capital assets for this year totaled \$33,887.00.

The note payments on long-term debt for this fiscal year totaled \$40,746.32 (\$32,932.61 principal and \$7,813.71 interest).

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township's plans for the future include improvements to road endings, remodeling of office, kitchen, bathrooms, and continuation of yearly clean-up day for Township residents.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Carol Rosenberg, Clerk, by calling (231) 258-4871 any time Monday through Friday.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	671 207 07
Taxes receivable	<u>17 683 37</u>
Total Current Assets	<u>688 890 44</u>
NON-CURRENT ASSETS:	
Capital Assets	1 473 190 00
Less: Accumulated Depreciation	<u>(510 045 00)</u>
Total Non-current Assets	<u>963 145 00</u>
TOTAL ASSETS	<u><u>1 652 035 44</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 364 80</u>
Total Current Liabilities	<u>1 364 80</u>
NON-CURRENT LIABILITIES:	
Note payable	<u>146 692 92</u>
Total Non-current Liabilities	<u>146 692 92</u>
Total Liabilities	<u>148 057 72</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	816 452 08
Unrestricted	<u>687 525 64</u>
Total Net Assets	<u>1 503 977 72</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 652 035 44</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	29 748 28	-	(29 748 28)
General government	135 825 07	28 097 19	(107 727 88)
Public safety	145 445 03	-	(145 445 03)
Public works	4 020 87	6 738 65	2 717 78
Interest on long-term debt	7 813 71	-	(7 813 71)
Total Governmental Activities	<u>322 852 96</u>	<u>34 835 84</u>	<u>(288 017 12)</u>
General Revenues:			
Property taxes			184 863 15
Other taxes – swamp			19 224 45
State revenue sharing			53 406 64
Interest			21 646 16
Miscellaneous			<u>8 678 83</u>
Total General Revenues			<u>287 819 23</u>
Change in net assets			(197 89)
Net assets, beginning of year			<u>1 504 175 61</u>
Net Assets, End of Year			<u>1 503 977 72</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Gypsy Moth</u>	<u>Other Funds (Rescue)</u>	<u>Total</u>
<u>Assets</u>					
Cash in bank	316 662 30	212 107 53	103 406 58	35 837 80	668 014 21
Taxes receivable	6 094 31	9 840 00	-	1 749 06	17 683 37
Due from other funds	3 192 86	-	-	-	3 192 86
Total Assets	<u>325 949 47</u>	<u>221 947 53</u>	<u>103 406 58</u>	<u>37 586 86</u>	<u>688 890 44</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts payable	<u>1 364 80</u>	-	-	-	<u>1 364 80</u>
Total liabilities	<u>1 364 80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 364 80</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>324 584 67</u>	<u>221 947 53</u>	<u>103 406 58</u>	<u>37 586 86</u>	<u>687 525 64</u>
Total fund equity	<u>324 584 67</u>	<u>221 947 53</u>	<u>103 406 58</u>	<u>37 586 86</u>	<u>687 525 64</u>
Total Liabilities and Fund Equity	<u>325 949 47</u>	<u>221 947 53</u>	<u>103 406 58</u>	<u>37 586 86</u>	<u>688 890 44</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	687 525 64
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 473 190 00
Accumulated depreciation	(510 045 00)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(146 692 92)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>1 503 977 72</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Gypsy Moth</u>	<u>Other Funds (Rescue)</u>	<u>Total</u>
Revenues:					
Property taxes	51 278 93	113 433 31	-	20 150 91	184 863 15
Special assessments	6 738 65	-	-	-	6 738 65
Other taxes – swamp	19 224 45	-	-	-	19 224 45
Charges for services – PTAF	28 097 19	-	-	-	28 097 19
State revenue sharing	53 406 64	-	-	-	53 406 64
Interest	13 651 56	4 462 71	2 775 89	756 00	21 646 16
Miscellaneous	<u>2 881 77</u>	<u>5 797 06</u>	<u>-</u>	<u>-</u>	<u>8 678 83</u>
Total revenues	<u>175 279 19</u>	<u>123 693 08</u>	<u>2 775 89</u>	<u>20 906 91</u>	<u>322 655 07</u>
Expenditures:					
Legislative:					
Township Board	29 748 28	-	-	-	29 748 28
General government:					
Supervisor	18 398 93	-	-	-	18 398 93
Elections	2 751 24	-	-	-	2 751 24
Assessor	17 197 21	-	-	-	17 197 21
Clerk	16 885 11	-	-	-	16 885 11
Board of Review	2 910 12	-	-	-	2 910 12
Treasurer	23 658 82	-	-	-	23 658 82
Building and grounds	49 501 64	-	-	-	49 501 64
Public safety:					
Fire protection	-	72 084 91	-	-	72 084 91
Rescue	-	-	-	20 484 12	20 484 12
Public works:					
Highways and streets	4 020 87	-	-	-	4 020 87
Capital outlay	-	33 887 00	-	-	33 887 00
Debt service	<u>-</u>	<u>40 746 32</u>	<u>-</u>	<u>-</u>	<u>40 746 32</u>
Total expenditures	<u>165 072 22</u>	<u>146 718 23</u>	<u>-</u>	<u>20 484 12</u>	<u>332 274 57</u>
Excess (deficiency) of revenues over expenditures	10 206 97	(23 025 15)	2 775 89	422 79	(9 619 50)
Fund balances, April 1	<u>314 377 70</u>	<u>244 972 68</u>	<u>100 630 69</u>	<u>37 164 07</u>	<u>697 145 14</u>
Fund Balances, March 31	<u><u>324 584 67</u></u>	<u><u>221 947 53</u></u>	<u><u>103 406 58</u></u>	<u><u>37 586 86</u></u>	<u><u>687 525 64</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (9 619 50)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(57 398 00)
Capital Outlay	33 887 00

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>32 932 61</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(197 89)</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bear Lake, Kalkaska County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bear Lake. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 3.1630 mills, and the taxable value was \$56,675,017.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-40 years
Equipment	5-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>671 207 07</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	295 100 58
Uninsured and Uncollateralized	<u>376 201 65</u>
Total Deposits	<u>671 302 23</u>

The Township of Bear Lake did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	462 330 00	-	-	462 330 00
Buildings and improvements	501 000 00	-	-	501 000 00
Equipment	475 973 00	33 887 00	-	509 860 00
Total	1 439 303 00	33 887 00	-	1 473 190 00
Accumulated Depreciation	(453 247 00)	(57 398 00)	-	(510 645 00)
Net Capital Assets	<u>986 056 00</u>	<u>(23 511 00)</u>	<u>-</u>	<u>962 545 00</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Bear Lake does not issue building permits. Building permits are issued by the County of Kalkaska.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>3 192 86</u>	Current Tax Collection	<u>3 192 86</u>
Total	<u>3 192 86</u>	Total	<u>3 192 86</u>

Note 10 – Note Payable – Fire Truck

On February 4, 2005, the Township obtained a loan in the amount of \$247,507.00 to finance the acquisition of a fire pumper truck. The agreement requires seven annual payments of \$40,746.32 including interest. As of March 31, 2008, the outstanding principal balance was \$146,692.92.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
7-4-08	34 365 18	6 381 14	40 746 32
7-4-09	35 860 06	4 886 26	40 746 32
7-4-10	37 419 98	3 326 34	40 746 32
7-4-11	<u>39 047 70</u>	<u>1 698 62</u>	<u>40 746 32</u>
Totals	<u>146 692 92</u>	<u>16 292 36</u>	<u>162 985 28</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	48 900 00	48 900 00	51 278 93	2 378 93
Special assessments	2 000 00	2 000 00	6 738 65	4 738 65
Other taxes – swamp	19 224 00	19 224 00	19 224 45	45
Charges for services – PTAF	19 200 00	26 900 00	28 097 19	1 197 19
State revenue sharing	51 000 00	51 000 00	53 406 64	2 406 64
Interest	8 461 00	8 461 00	13 651 56	5 190 56
Miscellaneous	17 585 00	9 885 00	2 881 77	(7 003 23)
Total revenues	166 370 00	166 370 00	175 279 19	8 909 19
Expenditures:				
Legislative:				
Township Board	36 500 00	36 500 00	29 748 28	(6 751 72)
General government:				
Supervisor	19 220 00	19 220 00	18 398 93	(821 07)
Elections	9 300 00	9 300 00	2 751 24	(6 548 76)
Assessor	17 650 00	17 550 00	17 197 21	(352 79)
Clerk	18 620 00	18 620 00	16 885 11	(1 734 89)
Board of Review	1 770 00	3 070 00	2 910 12	(159 88)
Treasurer	27 430 00	27 430 00	23 658 82	(3 771 18)
Building and grounds	56 300 00	58 300 00	49 501 64	(8 798 36)
Unallocated	5 500 00	3 900 00	-	(3 900 00)
Public works:				
Highways and streets	4 600 00	5 000 00	4 020 87	(979 13)
Capital outlay	11 000 00	9 000 00	-	(9 000 00)
Total expenditures	207 890 00	207 890 00	165 072 22	(42 817 78)
Excess (deficiency) of revenues over expenditures	(41 520 00)	(41 520 00)	10 206 97	51 726 97
Fund balance, April 1	41 520 00	41 520 00	314 377 70	272 857 70
Fund Balance, March 31	-	-	324 584 67	324 584 67

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	104 081 00	104 081 00	113 433 31	9 352 31
Interest	4 100 00	4 100 00	4 462 71	362 71
Miscellaneous	<u>7 200 00</u>	<u>7 200 00</u>	<u>5 797 06</u>	<u>(1 402 94)</u>
Total revenues	<u>115 381 00</u>	<u>115 381 00</u>	<u>123 693 08</u>	<u>8 312 08</u>
Expenditures:				
Public safety:				
Fire protection	73 000 00	74 000 00	72 084 91	(1 915 09)
Capital outlay	38 000 00	37 000 00	33 887 00	(3 113 00)
Debt service	<u>-</u>	<u>40 746 00</u>	<u>40 746 32</u>	<u>32</u>
Total expenditures	<u>111 000 00</u>	<u>151 746 00</u>	<u>146 718 23</u>	<u>(5 027 77)</u>
Excess (deficiency) of revenues over expenditures	4 381 00	(36 365 00)	(23 025 15)	13 339 85
Fund balance, April 1	<u>20 920 00</u>	<u>36 365 00</u>	<u>244 972 68</u>	<u>208 607 68</u>
Fund Balance, March 31	<u>25 301 00</u>	<u>-</u>	<u>221 947 53</u>	<u>221 947 53</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – GYPSY MOTH FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	-	-	2 775 89	2 775 89
Total revenues	-	-	2 775 89	2 775 89
Expenditures:				
Public safety:				
Gypsy moth	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	2 775 89	2 775 89
Fund balance, April 1	-	-	100 630 69	100 630 69
Fund Balance, March 31	-	-	103 406 58	103 406 58

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Salaries and wages	6 915 00
Payroll taxes	588 92
Legal	3 512 25
Printing and publishing	429 40
Dues	976 02
Contracted services	17 067 30
Miscellaneous	259 39
	<u>29 748 28</u>
Supervisor:	
Salary	17 085 00
Payroll taxes	1 313 93
	<u>18 398 93</u>
Elections:	
Salaries	1 290 10
Payroll taxes	88 19
Contracted services	706 25
Miscellaneous	666 70
	<u>2 751 24</u>
Assessor:	
Contracted services	15 000 00
Printing and publishing	1 182 74
Miscellaneous	1 014 47
	<u>17 197 21</u>
Clerk:	
Salary	14 565 00
Payroll taxes	1 139 91
Supplies	694 20
Mileage	486 00
	<u>16 885 11</u>
Board of Review:	
Salaries	2 259 37
Payroll taxes	146 36
Education	350 00
Miscellaneous	154 39
	<u>2 910 12</u>
Treasurer:	
Salary	16 692 46
Payroll taxes	1 251 21
Supplies	1 014 98
Mileage	796 50
Printing and publishing	1 634 63
Postage	2 269 04
	<u>23 658 82</u>
Building and grounds:	
Supplies	12 021 06
Contracted services	13 871 88
Insurance	10 988 00
Repairs and maintenance	4 080 41
Utilities	8 540 29
	<u>49 501 64</u>
Highways and streets:	
Repairs and maintenance	4 020 87
	<u>4 020 87</u>
Total Expenditures	<u>165 072 22</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT OF
CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in bank	2 996 50	1 936 666 18	1 936 469 82	3 192 86
Total Assets	<u>2 996 50</u>	<u>1 936 666 18</u>	<u>1 936 469 82</u>	<u>3 192 86</u>
<u>Liabilities</u>				
Due to other funds	2 996 50	214 758 03	214 561 67	3 192 86
Due to others	-	1 721 908 15	1 721 908 15	-
Total Liabilities	<u>2 996 50</u>	<u>1 936 666 18</u>	<u>1 936 469 82</u>	<u>3 192 86</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>2 996 50</u>
Cash receipts:	
Taxes	1 917 839 85
Property tax administration fees	<u>18 826 33</u>
Total cash receipts	<u>1 936 666 18</u>
Total beginning balance and cash receipts	<u>1 939 662 68</u>
Cash disbursements:	
Township General Fund	81 350 34
Township Fire Fund	113 118 25
Township Rescue Fund	20 093 08
Kalkaska Public Transit	12 528 34
Kalkaska Public Schools	611 832 22
Crawford AuSable School District	160 960 68
Kirtland Community College	24 563 00
COOR Intermediate School District	11 001 13
TBA Intermediate School District	121 792 38
Kalkaska County	690 149 30
Kalkaska Memorial Health Center	82 269 43
Refunds	<u>6 811 67</u>
Total cash disbursements	<u>1 936 469 82</u>
Cash in Bank – End of Year	<u><u>3 192 86</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 29, 2008

To the Township Board
Township of Bear Lake
Kalkaska County, Michigan

We have audited the financial statements of the Township of Bear Lake for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Bear Lake in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Bear Lake
Kalkaska County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants